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10 CA ADC § 2644.20

Term 

10 CCR s 2644.20

Cal. Admin. Code tit. 10, s 2644.20

BARCLAYS OFFICIAL CALIFORNIA CODE OF REGULATIONS
TITLE 10. INVESTMENT
CHAPTER 5. INSURANCE COMMISSIONER
SUBCHAPTER 4.8. REVIEW OF RATES
ARTICLE 4. DETERMINATION OF REASONABLE RATES

This database is current through 03/23/07, Register 2007, No. 12

s 2644.20. Projected Yield.

(a) "Projected yield" means the weighted average yield computed using the insurer's actual portfolio and yields currently available on securities in US capital markets. The weights shall be determined using the insurer's most recent consolidated statutory annual statement, and shall be computed by dividing the insurer's assets in each separate asset class shown on page 2, lines 1 through 9 of the insurer's consolidated statutory annual statement, by the total of lines 1 through 9. The yields for each asset class shall be based on an average of the most recent available 3 complete months, as of the date of filing.

(b) The bond asset class shall be subdivided into the issuer categories of US government bonds, other taxable bonds and tax exempt bonds and into the maturity categories of short, intermediate and long-term shown. For the purposes of this section, "US government" means the sum of rows 1.7, U.S. governments, and 2.7, all other governments, of schedule D, part 1A, section 1 of the insurer's consolidated statutory annual statement, "other taxable" means the sum of rows 6.7, public utilities, 7.7, industrial and miscellaneous, 8.7, credit tenant loans, 9.7, parent subsidiaries and affiliates and half of row 5.7, special revenue and special assessments and "tax-exempt" means the sum of rows 3.7, states, territories and possessions, 4.7, political subdivision of states, territories and possessions, and half of row 5.7. For the purposes of this section, "short-term" means one year or less, "intermediate-term" means more than one year through 10 years, and "long-term" means more than 10 years.

(c) "Yields currently available on securities in US capital markets" means,

(1) US government bonds

(A) Short: yield on the nominal 3-month constant maturity US Treasury bill as provided in the Federal Reserve H.15 statistical release

(B) Intermediate: yield on the nominal 10-year constant maturity US Treasury bond as provided in the Federal Reserve H.15 statistical release

(C) Long: yield on the nominal 20-year constant maturity US Treasury bond as provided in the Federal Reserve H.15 statistical release

(2) Other taxable bonds

(A) Short: yield on 3-month financial commercial paper as provided in the Federal Reserve H.15 statistical release

(B) Intermediate: average yield on 10-year corporate A and AA rated bonds as provided by Valu/Bond on Yahoo.com

(C) Long: average yield on 20-year corporate A and AA rated bonds as provided by Valu/Bond on Yahoo.com

(3) Tax exempt bonds

(A) Short: yield on short-term other taxable bonds times 1 minus the federal income tax rate of 35%

(B) Intermediate: average yield on 10-year municipal A and AA rated bonds as provided by Valu/Bond on Yahoo.com

(C) Long: average yield on 20-year municipal A and AA rated bonds as provided by Valu/Bond on Yahoo.com

(4) Common stock

(A) Dividends: ten-year average income return as provided in the Ibbotson yearbook

(B) Capital gains: the risk-free rate, below, plus 8%, which the Commissioner finds represents the risk-premium for common stock investments generally, minus dividends, above

(5) Preferred stock dividends: Mergent Bond Record

(6) Mortgage loans: yield on long-term other taxable bonds, above

(7) Real estate: the risk-free rate, below, plus 2%, which the Commissioner finds represents the risk-premium for real estate investments

(8) Cash and short term: yield on short-term US Treasury bills, above

(9) Other: yield on common stock, above

(d) The "risk-free rate" means the average of the short, intermediate and long-term US government bonds, above, except that the short-term shall be one month instead of three and the intermediate term shall be five years instead of ten.

(e) The projected yield shall be reduced by the ratio of incurred investment expenses, page 11, line 25, column 3, of the insurer's consolidated statutory annual statement, divided by the total of cash and invested assets, page 2, line 10.

(f) The projected yield shall be multiplied by the ratio of cash and invested assets, page 2, line 10 of the insurer's consolidated statutory annual statement, divided by the sum of reserves, page 3, lines 1, 3 and 9, and surplus, page 3, line 35.

<General Materials (GM) - References, Annotations, or Tables>

Note: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and Calfarm Insurance Company v. Deukmejian (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92,

No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmitted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Repealer and new section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

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